

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF MOUNTAIN UTILITIES,)
INC. FOR:)
1. ORDER AUTHORIZING A RATE)
INCREASE 2. INTERIM ORDER TO)
IMMEDIATELY IMPLEMENT ITS PROPOSED)
RATES ON AN EMERGENCY BASIS)
PURSUANT TO KRS 278.190 3. ORDER)
APPROVING BORROWING \$162,000 FROM) CASE NO. 9546
THE COMMONWEALTH OF KENTUCKY,)
DEPARTMENT OF LOCAL GOVERNMENT)
4. ORDER AUTHORIZING A CERTIFICATE)
OF CONVENIENCE AND NECESSITY TO)
RECONSTRUCT THE TOM'S CREEK AREA OF)
THE SYSTEM)

O R D E R

It is ordered that Mountain Utilities, Inc. ("Mountain") shall file an original and seven copies of the following information with this Commission within 2 weeks of the date of this Order with a copy to all parties of record. Include within the response to each item the witness who will be available at the public hearing to testify on that particular issue. If neither the response nor a motion for an extension of time is filed by the stated date, the case may be dismissed.

1. Please reconcile the Statement of Operating Expenses per page 17 of the application to the 1985 Annual Report.

2. What is the current status of the proposed loan from the Department of Local Government ("DLG")?

3. Please provide a detailed breakdown of the uses of the proposed \$162,000 DLG loan proceeds.

4. Provide for each employee during the test period a job description, the average number of weekly hours worked performing duties for Mountain, the annual salary and the accounts to which each salary was charged.

5. Please provide the names and job titles of the two recipients of the Family Plan Insurance. In addition, please describe the Employee Holiday Gifts Expense.

6. Please submit copies of all contract agreements entered into by Mountain. Furthermore, provide the amounts paid under each contract, a description of the services received, and the accounts to which the amounts were charged.

7. Provide copies of all loan agreements.

8. With regard to the Statement of Monthly Operations for the test year, page 30 of the application, provide an explanation of the \$275 per month expense charged to Account Supplies and Expenses. In addition, please explain the increase in the expense from \$275 to \$533 for the month of December.

9. Per the Utility Plant schedule, page 24 of the application, please provide a detailed description of the Unclassified Utility Plant for the years 1982 through 1985 and explain why these items have not been properly reclassified in accordance with the Uniform System of Accounts.

10. Please state why an adjustment excluding the depreciation expense on the 1976 and 1977 additions should not be made for rate-making purposes since these items are or will be fully depreciated by the 1986 year end. In addition, Mountain proposed

an adjustment to increase depreciation expense by \$97 due to assets added in December 1985. Provide the calculations used to determine this adjustment.

11. With reference to the total Utility Plant, provide a schedule of all assets which are not used and/or considered useful for utility operations.

12. Please provide copies of insurance policies in support of the \$3,500 proposed increase in insurance expense. In addition, provide any documented evidence of efforts to obtain bids for similar coverage to assure the lowest cost. Include terms and prices of bids rejected and a copy of written bids.

13. With reference to the Statement of Operating Expenses, page 17 of the Application, provide a detailed analysis of the following expenses. Include in the analysis the check or voucher number, the payee, the amount, the date, and a description of the services, materials and/or labor provided in each transaction. Items of less than \$50 may be grouped with a general description of the costs included in each group.

a. Maintenance of Meters	\$2,250
b. Other taxes and assessments	2,254
c. Rents	3,367
d. Transportation Expenses	4,859
e. Office Supplies and Expense	4,814

14. Mountain estimated the cost of the rate case expense to be \$1,500. Please provide a schedule of the expenses already incurred including a description, the date they were incurred, and the account to which they were charged. In addition, provide a detailed breakdown of anticipated expenses to be incurred which are associated with this rate case.

15. Please provide the amount of dividends declared and paid during the past 5 years.

16. Why wasn't Mountain furnished a map by Gas Management showing the system as-built once the construction of the system was completed?

17. Between November 1984, and the present what efforts has Mountain made to resolve any dispute with Gas Management regarding the system map?

18. When Mountain's application to the Department of Local Government's Gas System Restoration Program was approved were funds included for as-built drawings of the system? If so, how much? Since the map has not been provided are those funds still available?

19. Why is Mountain negotiating with Baldrige Engineering to provide as-built drawings of the system instead of continuing its efforts to resolve any dispute with Gas Management? Has Mountain paid Baldrige for any services related to developing as-built drawings?

20. Does corrosion exist on any portion of the Mountain system? If so, identify the section of the system and for each section the number of meter sets, valves and feet of pipe that have active corrosion.

21. Does Mountain agree that a corrosion control program within the meaning of the Commission's gas safety regulations is necessary for a system that uses steel pipeline?

22. Describe Mountain's corrosion control program.

23. In the Commission's two most recent safety inspections, November 1984 and December 1985, Mountain has been cited for no records of tests, surveys or inspections regarding corrosion control measures. Why don't such records exist?

24. How many miles of pipeline, excluding service lines, comprise the Mountain system?

25. Since reconstruction was completed have any leak surveys been conducted? If so, when and by whom? Provide any information relating to when these surveys were conducted, the results and any corrective action that was taken.

26. Mountain advised the Commission in March 1985, that any above-ground, steel valves and piping would be painted in 1985, and that a leak survey would be conducted on the Tom's Creek portion of the Mountain system in 1985. Were these activities completed? When? Who conducted the leak survey? Provide the results of the survey and describe any corrective action that was taken.

27. Mountain has requested an additional \$15,685 to evaluate and monitor the corrosion condition of its system. For the test period describe what the following funds were used for (as presented on page 17 of its application, Statement of Operating Expenses): mains and service labor - \$15,018; service supplies and expenses - \$1,657; and maintenance of lines, \$490.

28. The Commission has approved rates for Mountain in previous cases to provide operating expenses which would allow Mountain to operate in compliance with the Commission's regulations. Such operating expenses have included mains and service

labor, maintenance of lines and service supplies and expenses. Why haven't these funds been adequate to maintain an on-going corrosion control program?

29. What assistance did Mountain provide in Baldrige's submission of its proposal for evaluation and monitoring of corrosion on the Mountain system?

30. Did Mountain request cost estimates for these services from any other firms? If so, from whom?

31. The effect on the average consumer bill of Mountain's proposed 29.89 percent increase in rates is \$12.68 more per month (as presented on page 25 of Mountain's application, Revenue Effect on New Rate). What effect will this increase have on decreased usage per customer and customers leaving the system for another heating fuel? Has Mountain estimated the number of customers that may be lost?

32. Does the potential exist for Mountain to obtain any of its gas supplies from local production other than Kentucky West? Have any local producers approached Mountain about availability of supplies? If so, whom?

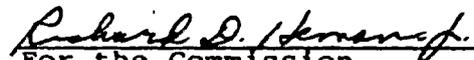
33. On page 24 of its application, Utility Plant, Mountain is using 10 years for depreciation purposes on regulators and meters. What is the basis for using 10 years? Why shouldn't the meters be depreciated over a longer period of time?

34. Provide meter test reports for the periods January 1 - March 31, 1985; April 1 - June 30, 1985; and July 1 - September 30, 1985.

35. Refer to the present rate amount of your billing analysis on pages 27-29. On page 27, line 26, Mcf used 25, customers 27, present rate \$149.51, amount \$3,737.75; our calculation shows amount = $27 \times \$149.51 = \$4,036.77$. On page 29, line 6, Mcf used 378, customers 1, present rate \$2,249.57, amount \$2,249.57; our calculation shows present rate = $\$6.7242 + 376 (\$5.9492) = \$2,243.62$, amount = \$2,243.62. Please advise correction on these two items.

Done at Frankfort, Kentucky, this 3rd day of June, 1986.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Secretary